

CHINA'S ONE BELT ONE ROAD INITIATIVE AND THE EU'S FDI SCREENING REGIME: SCOPE, EU'S ATTITUDE AND IMPACT

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Abstract

Purpose – the purpose of this paper is to provide a general review of One Belt One Road initiative, the changing attitude of Europe towards China's FDI and its recently adopted Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union.

Design/methodology/approach – this analysis is based on material gathered from academic papers and other publications, media reports, as well as data from official sources and independent research centres. Systematic analysis, generalisation, secondary data analysis, as well as linguistic methods were used in this research paper.

Finding – as Peoples' Republic of China (China) became one of the most important trade and investment partners of the EU, its rapid growth in economic and political influence and use of development policies, such as OBOR initiative, made the EU to start regarding China as 'economic competitor' and 'strategic rival'. As around half of the EU members do not have investment screening mechanisms, the EU decided to adopt regulation for this matter – the Framework Regulation. It will become applicable from 11 October 2020 and will allow the EU and its Member States to raise concerns about effect of China's FDI on national security and public policy grounds and provides framework for screening of FDIs. Moreover, as the Framework Regulation establishes the list of projects of Union interest, which includes Trans-European Networks for Transport, whereas OBOR initiative is aiming at connecting China and Europe through land and sea route infrastructure, the European Commission will have an instrument to express its opinion regarding Chinese FDI, which are connected to OBOR initiative and related to transport infrastructure. Although such opinion will not binding, the member state will not be able to simply ignore but will have to provide explanation to the Commission if its opinion was not followed.

Research limitations/implications – there are several research limitations: firstly, there is a lack of comprehensive information on implementation of OBOR initiative, as even the official webpage of Belt and Road does not provide such information; secondly the Framework Regulation will become applicable from 11 October 2020. As the latest data indicates a substantial decrease of China’s investment in EU (in 2017 and 2018), until 2020 the flows of China’s capital under OBOR initiative might still significantly change. Moreover, without the real practice of the Commission or EU Member States in the use of Framework Regulation regarding the China’s FDI, this analysis serves as an early and theoretical assessment of potential impact of such investment screening on projects under China’s OBOR initiative. Finally, this general review paper does not seek to analyse problematic aspects of the Framework Regulation or procedural issues on implementation of screening mechanisms.

Practical implications – as the OBOR initiative is broad in scope and vague in terms, this analysis allows to better understand its contents, China’s rising importance in field of EU FDIs and provides introduction into the Framework Regulation, indicating its potential use by the EU or member states in regards to China’s FDI related to OBOR initiative.

Originality/Value – this analysis provides explanation on changing EU-China economic policy and serves as a sound starting point for further research on China’s investments in Europe, OBOR initiative or the impact of Framework Regulation to China’s FDI.

Keywords: China, EU, OBOR, BRI, FDI, investment screening, Regulation 2019/452.

Research type: general review